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DR-CAFTA: A Win-Win Trade Agreement

By Congressman Bill Thomas

The U.S. House of Representatives will soon consider an historic trade agreement between the United States and six of our neighbors in the Central America-Caribbean region. The agreement, known as DR-CAFTA, will eliminate tariffs and other barriers to trade, and open new markets for American farmers and manufacturers in the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. The nations covered by the agreement have recently made great strides toward becoming democratic, free-market societies and DR-CAFTA will help those nations continue to advance by improving economic conditions, promoting human rights, and increasing the transparency of government institutions.

The U.S. already trades with the six nations covered by this new trade agreement, but not currently on equal terms. The U.S. provides duty-free access to 80 percent of the products produced by the six DR-CAFTA nations, including 99 percent of their agricultural exports, but Central American nations currently apply tariffs to U.S. goods, tariffs as high as 20 percent on some of the high-value agricultural goods that California growers produce. At the same time, these six nations have negotiated free trade agreements with Mexico, Canada and other nations, putting the United States at a competitive disadvantage. Upon the enactment of DR-CAFTA, many U.S. goods, including high-tech equipment and farm products produced in California, will be able to enter Central American markets duty-free.

While many sectors of our economy will directly benefit from DR-CAFTA, the agreement is also positive for farmers and ranchers. That is why the agreement has been endorsed by the American Farm Bureau Federation, the California Farm Bureau Federation, six former U.S. Secretaries of Agriculture, and over a dozen influential groups that represent California growers. Many of the crops grown by Central Valley and Central Coast farmers will immediately have duty-free access to Central American markets. Choice cuts of beef will be able to enter DR-CAFTA markets duty-free immediately, and tariffs on all other cuts of beef will be phased out. Walnuts, almonds, pistachios, cherries, raisins, grapes, and cotton will all have high tariffs eliminated. Many other crops, including oranges, broccoli, and cauliflower, will have tariffs completely eliminated in future years.

Even with current high tariffs in place, U.S. farmers and ranchers already export \$1.6 billion of goods to the DR-CAFTA nations. The American Farm Bureau Federation estimates that by the time the trade agreement is fully implemented, our agricultural exports to the region will almost double.

Past trade agreements have already yielded benefits. In just the first year after a free trade agreement with Chile, California's exports to that nation increased by ten percent.

Likewise, I fully expect DR-CAFTA to create new markets and to increase export opportunities for manufacturers and farmers from our state.

This landmark trade agreement will create a fairer environment for American businesses, and will foster expanded economic growth, open markets, and regional stability in the six young democratic governments covered by DR-CAFTA. The agreement is a positive for all involved and must be enacted.